Required Report - public distribution

Date: 6/27/2018
GAIN Report Number: CI 1816

Chile

Retail Foods

Chilean Retail Food Industry

Approved By:
Marcela Rondon, Agricultural Attaché
Prepared By:
María José Herrera M., Marketing Specialist

Report Highlights:
Chile's food retail sales reached $16.7 billion in 2017. The main food distribution channels are supermarkets with a share of about 62 percent. Three main business groups concentrate most of the sales providing them greater bargaining power with suppliers. Chile is becoming increasingly urbanized, not only in the Metropolitan region (Santiago), but also in other cities (Antofagasta, Valparaíso, Concepción and Puerto Montt), and the retail food industry has been adjusting to this trend especially grocery retailing that has been adopting a convenience store or convenience shop model through convenience store chains, forecourt retailers, and smaller supermarkets. The assortment of products includes a wide variety of prepared dishes, chocolates, beverages, bakery products and tobacco.

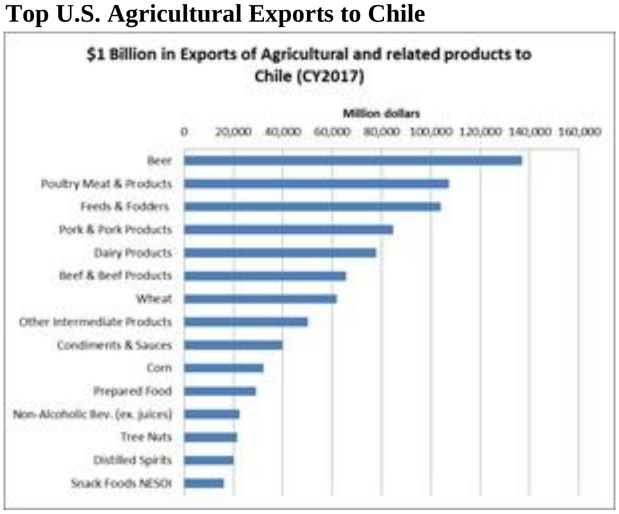
Post: Santiago

MARKET FACT SHEET: CHILE

Chile is a South American country that borders the South Pacific Ocean, Argentina, Bolivia, and Peru. Chile is divided into 15 regions, of which Santiago, the capital of Chile, is the most densely populated with 7.5 million (MM) out of the 17.6 MM citizens. The national GDP in 2017 was $295 billion. GDP per capita reached $16,965 in 2017.This is the highest in the Latin American region and is one of the main drivers for consumer spending. The GDP growth decreased from 5 percent in 2013 to 1.6 percent in 2017, due to low copper prices, lower private investment and domestic consumption. The World Bank predicts Chile's GDP will recover and grow by 3 percent in 2018. Consumer expenditure is projected to have a real growth of 3.6 percent following 2018 and will represent 61.4 percent of GDP.

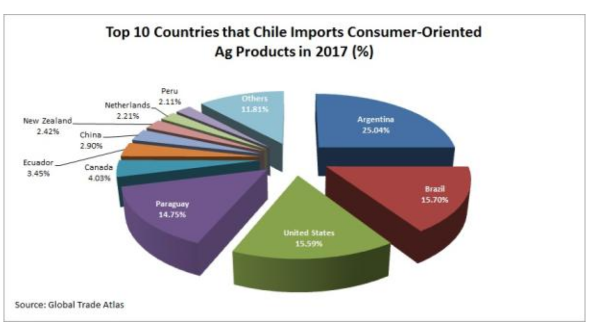
U.S. exports of agricultural & related products reached $1 billion in 2017, which represents a 15percent increase over 2016 and records the highest level of exports ever.

Top U.S. Agricultural Exports to Chile



Source: U.S. Census Bureau Trade Data

Chile is the top market for U.S. "consumer-oriented products" in South America. This category of products represented 68 percent of all U.S. agricultural and related exports to Chile in 2017 reaching $676 MM and a 40 percent increase over 2016, the highest level of exports recorded so far. Top products exported to Chile are beer, poultry, pork, beef, dairy products, condiments and sauces.



Chile has a consolidated position as Latin America's most competitive economy mainly due to its sustained economic growth and openness to trade. Chile is characterized as a free, dynamic and highly competitive market. In addition, consumption patterns in Chile have undergone tremendous transformations during the last decades. Chileans are shifting from locally produced goods to more expensive and higher quality, branded products and are incorporating processed packaged foods for "diet" and "light" foods and beverages. Therefore, U.S. exporters need to be aware of the emerging trends in consumption patterns as well as pricing when accessing Chilean food market. U.S. exporters must adjust their profit margins to be as competitive as possible and differentiate his or her products so any value-added product is understood by the end-consumer and serves to justify a higher price.

Quick Facts

Imports of Consumer-Oriented Ag. Products 2017: $676 MM

Top Chile's Food Retailers (by Marketshare in 2017)
1. Walmart (*Líder*, *Express Líder*, *Ekono*, *Super Bodega aCuenta* and *Central Mayorista*)
2. Cencosud (*Jumbo*, *Santa Isabel*)
3. SMU (*Unimarc*, *Mayorista 10*, *Alvi*, *OK Market* and *Telemercado*)
4. Falabella (*Tottus*)
5. Montserrat

Food and Beverage Trends in Chile for 2018:
Meat products (beef, pork and poultry); dairy products (cheese and ice cream); sauces, mixed condiments and seasonings; frozen meals; healthy foods (natural derived, with few food additives and preservatives); healthy snacks; healthy beverages (natural ingredients, functional drinks) and ready to eat foods.

GDP/Population 2017
Population: 17.6 MM
Population aged 15-64: 68.6 %
Population aged 65+: 11.1%
Population aged 0-14: 20.3%
GDP: $295 MM
GDP Per Capita: $16,965

Sources: Global Trade Atlas, Euromonitor International and trade interviews

For more information contact:
USDA FAS Office of Agricultural Affairs
U.S. Embassy Santiago
Tel.: (56 2) 2330-3704
E-mail: agsantiago@fas.usda.gov

Section I. Market Summary

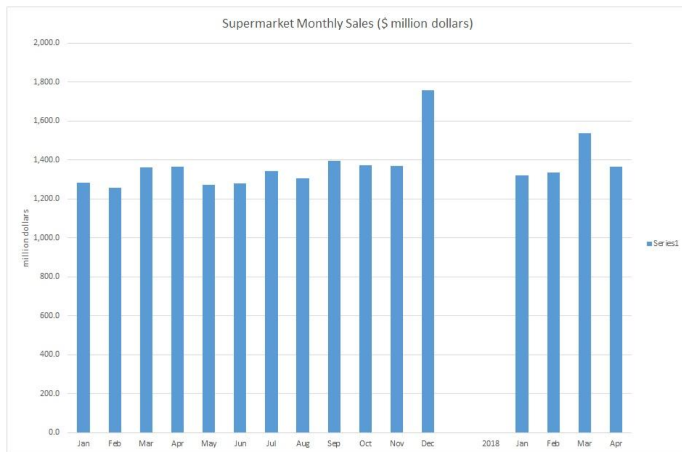
Most food consumption occurs in the Santiago Metropolitan Region since it concentrates 40 percent of the country's total population of 17.6 MM.

Chile has been one of Latin America's fastest-growing economies in the last decades, enabling the country to have a modern and dynamic retail industry.

Despite the slowdown of the Chilean economy during 2013-2016 due to low copper price, lower private investment and domestic consumption, in 2017 Chile's economy experienced a growth following the presidential election and the reforms implemented by the new administration, which created more optimistic expectations, increasing expenditure in some retailing channels and recovering the confidence in investors. Growth is expected to recover gradually as private sector prospects improve, copper prices rise and exporters benefit from improvements in competitiveness. A reflection of this was growth of GDP at 1.3 percent during 2017 and is predicted to grow by 3.6 percent during 2018.

In 2017, approximately 1,374 stores, including hypermarkets, supermarkets and other small food retail stores with a minimum of three checkouts composed the industry of Chilean food retailers according to National Institute of Statistics (INE) and 50 percent of them are in the Metropolitan region. According INE, supermarkets and hypermarkets sales still have the largest market share for Chile's food sales holding nearly 50 percent of total food sales, accounting $16.4 billion in 2017.

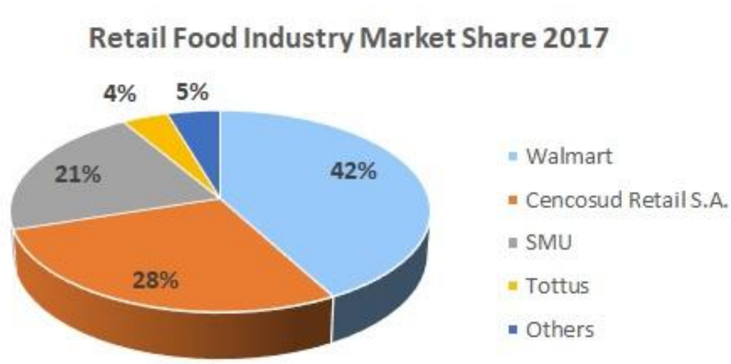
Table 1. Supermarket Sales in 2017 (INE figures)



Chilean food retail industry experienced significant changes between 2000 and 2013 with the expansion of large chains, especially with their hypermarkets. Subsequently, it stabilized, and in the recent years, the market share of the main players has not shown great variations. The main industry competitors are retailing chains that are usually present with department stores and grocery retailers, such as Cencosud and Falabella.

According to the food retail industry, Walmart Chile is the largest supermarket chain in terms of revenue, operating around 253 stores under the *Líder*, *Líder Express,* and *Ekono* brands. Cencosud is the second largest operator with 246 hypermarkets and supermarkets under the Jumbo and Santa Isabel brands. SMU is the third largest chain operating 289 stores and Tottus is the fourth largest chain in terms of revenue, operating 64 hypermarkets and supermarkets.

Table 2. Supermarket Industry Market Share



Source: 2017 Main Supermarkets Annual Reports and interviews

Chilean consumers purchasing habits have changed and retail has been adapting to that change. Traditionally, Chileans used to be loyal to brands and focus on quality, disregarding price. However, Chilean consumers have become increasingly informed, comparing and looking for promotions and variety before making a purchasing decision. They are now less loyal, searching for better prices even if this means not purchasing all required products from one store. Consumer requirements have changed and so have the products offered by food retailers. This is an opportunity for private label products with more accessible prices than traditional items. Private label products have increased in variety and presence in modern grocery retailers, by expanding into other categories. Nowadays the share of private label brands in the food retail industry is close to 10 percent of revenues. The entry of international brands at a fair price has also benefited the product mix. The development of private label products of good quality, good price, and a wide assortment is critical.

Modern grocery retailers are opting for smaller format supermarkets to accompany residential areas instead of hypermarkets. In the last five years the sales of convenience stores, spaces with an area of less than 400 square meters (m^2), increased from $94 million in 2012 to $145.7 million in 2017. Chileans purchasing habits have changed over the last few years. For example, replacement purchases are more frequent and procurement purchases are less frequent than in the past. This, due to the long working days, which shorten the time of users, making it difficult to go to supermarkets or hypermarkets on weekdays. These types of purchases are generally oriented towards categories of perishable products, such as fruits and vegetables, processed meats and dairy products. In addition, convenience stores are locations arranged on the routes when people go to their homes or work, by either public transport or their own vehicles. Two of the main players in the sector, SMU and Walmart, are focusing their efforts to reactivate the segment of convenience stores.

Another trend that retail industry sources observe is consumers' choice of a supermarket. According to the latest Activa Rearch survey (www.activaresearch.cl), the most important factor in this decision is the location of the store, followed by price and promotional activity.

In recent years, the retail industry has had to adapt to the trends that new technologies have brought to the market, including electronic and mobile commerce. The challenges in the industry are mainly focused on developing new platforms that respond to the demand for more personalized products and services, offer a greater assortment of products to consumers who are looking for increasingly specialized products, and improve levels of attention and service. On the other hand, main supermarket chains implemented a new POS system (Point of Sale) that among other benefits includes a state-of-the-art promotions system, which allows massively adopting technologies such as self-check-out, which speeds up and expedites the checkout experience.

Food retailers are eager to introduce new products to meet the growing consumer demand of middle to upper income consumers in particular.

Table 3. Advantages and Challenges for U.S. Exporters to Chile

Advantages	**Challenges**
Clear rules and transparent regulations offered by the government allow for fair competition.	There are stricter regulations surrounding fresh products to avoid the spread of diseases that may affect local production.
The purchasing power of Chile's middle class continues to rise.	Chile is a competitive market, which has free trade agreements that cover 65 countries including the European Union, China, Central America and South American countries.
The U.S.-Chile free trade agreement resulted in 0 percent duties for all U.S. agricultural products as of January 1, 2015.	There has been an increase in the market share of Chilean brands at the expense of global brands.
Chile's largest retailers have operations in other Latin American countries making it a gateway to other Latin American markets.	Chile's new nutritional labeling law requires possible placing stickers (labeling) if thresholds of sodium, saturated fat, sugar and calories exceed certain levels set by the Ministry of Health.
American brands are well regarded as high quality with many well-known brands already present in the market.	There is a lack of awareness about the all the different types and qualities of some U.S. products by Chilean consumers and importers; i.e. premium quality beef cuts that do not exist in Chile.

	Thus, more marketing and knowledge is required.
Equal playing field for imported and local products.	Strong competition from other producing countries.
	Facing new technologies like web-based grocery sales.

Section II. Road Map for Market Entry

Entry Strategy

FAS/Santiago advises U.S. exporters to check that their products meet the most up to date Chilean regulations to ensure a straightforward entry strategy into this market. Final import approval of any product is subject to the importing country's rules and regulations as interpreted by border officials at the time of product entry. FAS/Santiago maintains listings of potential importers and develops sector-specific information to help you introduce your product in Chile. Critical considerations of market entry include the following:

Market Analysis:

- There is a wide variety of food products in Chile's retail sector, due to the market openness. Thus, the U.S. exporter must be clear as to what role the product will have in the market and how will it be positioned in relation to other competitors.
- Supermarkets have limited shelve space and usually different brands are available.
- Supermarkets will assess if their new product margin is attractive in comparison to other brands, which is mainly a cost-benefit decision.

Market Access:

- The main entry for imports to Chile is via seaports, the most important ones are San Antonio and Valparaiso. Once goods have entered Chile, they are transported via highways.
- Enter through the big supermarket chains or find a partner/distributor.
- Supermarkets chains will allow a new product to have a countrywide presence, and these chains carry a more diverse variety of products.
- Trying to enter the Chilean retail market through smaller stores can be a bit more challenging, due to the more limited variety of products small stores could handle. In addition, this sector is more focused on price than variety.
- Another possibility is to enter through a business partner or distributor that would sell the product to different types of stores. The advantage is that the distributor has a variety of clients and could sell a larger volume of the product.

For details on how to export to Chile, please refer to FAS Santiago's Exporter Guide report, FAIRS Export Certificate report, FAIRS Country report and Food Labeling report.

Food trade shows in Chile can be helpful to visit, such as Espacio Food & Service Show (September 25-27, 2018) to meet importers and get a feeling of the market before trying to enter.

Contact FAS/Santiago!

If you have questions or comments regarding this report, or need assistance exporting to Chile, please contact the Foreign Agricultural Service (FAS) in Santiago, Chile. U.S. companies seeking to export goods to Chile are advised to do thorough research for a good understanding of the market. FAS GAIN Reports are a good source of country specific information: http://gain.fas.usda.gov

Office of Agricultural Affairs
Unites States Department of Agriculture
U.S. Embassy Santiago
Av. Andrés Bello 2800 – Las Condes
Santiago, Chile
Telephone: +56 2 2330-3704
E-mail: agsantiago@fas.usda.gov
Website:
U.S. Department of Agriculture in Santiago Chile: www.usdachile.cl
Foreign Agricultural Service homepage: www.fas.usda.gov

Market Structure

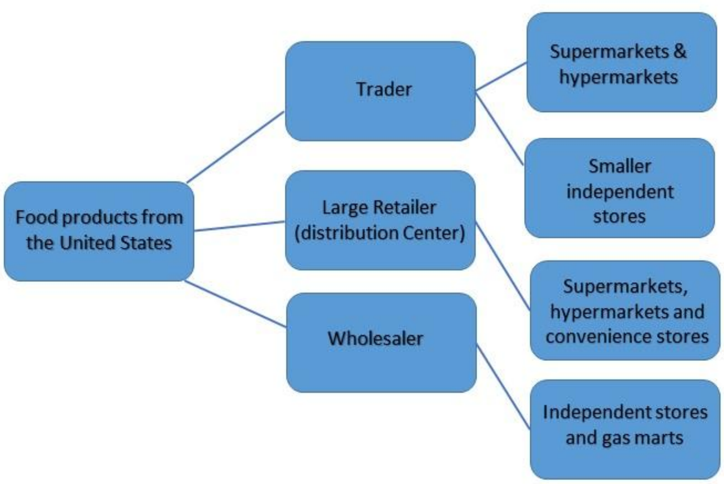
Main Chilean supermarket chains uses two systems for delivering imported and local products to retail food stores in Chile: distribution through suppliers, where suppliers deliver products directly to each of the stores, and centralized distribution, where suppliers deliver products to different distribution centers of the supermarket chain, and it later distributes products to its stores. The centralization of the distribution allows achieving operational efficiencies, especially considering the geographical characteristics of Chile.

There are three main players in the import side:

- Wholesalers and producers import large quantities to distribute to smaller independent stores.
- Large supermarket chains import directly from foreign producers/exporters and own most of the wholesale supermarkets, which then redistribute to smaller stores as well. They operate large distribution centers that supply the entire country.
- Distributors that supply gas stations for their countrywide operations on the gas marts.

Most of the independent stores get their products at a discounted price from wholesalers. They act as an intermediary, as the smaller stores are not able to import entire containers or do not have the logistic capacity to do so.

Table 4. The following diagram illustrates how products are imported and distributed in Chile:



The distribution flowchart is very simple, and there are no regulations limiting the number of actors who can import. The import process is as cost-effective as possible, using economies of scale whenever possible.

National food production companies mainly sell to grocery retailers such as supermarkets and hypermarkets (60 percent of all processed food). A smaller share of packaged food is sold through traditional grocery retailers such as independent small grocers or food/drink specialists (38.4 percent).

In 2017, less than 2 percent of processed food was sold through internet retail.

Company Profiles & Top Host Country Retailers

This section will compare the different types of large retails stores. We can categorize the large food retail stores in five distinct types: Hypermarkets/supermarkets, wholesale discount stores, convenience stores, e-commerce and traditional grocery retailers & specialized stores.

Hypermarkets/supermarkets

This type of store is characterized by the offering a wide variety of products and brands. Most of the imported niche products such as specialty cheese and ethnic foods are found in this type of store. In addition, this is where consumers spend most of their food budget.

They are also characterized by being commonly surrounded by a large number of service industries which include laundry stores, banks, pharmacies, beauty salons, hair salons, car wash (in the parking lot) and smaller specialty stores.

Supermarkets and hypermarkets seek to increase demand for their products and customer loyalty using different type of promotions for this purpose. The Chilean consumer seeks sophistication and relates this to his/her social and economic status. Due to this fact, the product mix of the supermarket chain will change in different locations to adjust to the predominant economic level of the neighborhood, which is serving.

The current trend is that supermarkets are getting smaller as large plots of lands are difficult to find and are often expensive. Some industry experts expect a larger number of smaller supermarkets, which are closer to the consumer, competing with wet markets and independent stores.

Main players in this format are:

WALMART CHILE S.A.	Walmart Chile
Ownership	Walmart Stores, Inc. (USA)
Stores Names	Lider (www.lider.cl)
	Express Lider (www.expressdelider.cl)

Walmart Chile is the largest supermarket chain in Chile in terms of revenue with a market share of approximately 42 percent.

Walmart is planning to transform the *Ekono* brand to *Express Líder* brand in the coming year.

CENCOSUD CHILE S.A.	cencosud
Ownership	Cencosud S.A. (Chile)
Stores Names	Jumbo (www.jumbo.cl)
	Santa Isabel (www.santaisabel.cl)
Number of Stores	246
Location	In the main cities throughout the country
Sales Surface	586,531 square meters
Private Labels	Jumbo Artesanal, Jumbo Ready, Producto Jumbo, Jumbo Premium, Cuisine & Co. and Santa Isabel
Supermarket business	Argentina (Jumbo, Disco and Vea) Brazil (Gbarbosa, Bretas and Prezunic) Peru (Wong and Metro) Colombia (Jumbo and Metro)

Cencosud, through its Jumbo and Santa

Isabel brands, is the second player in terms of revenues with a market share of approximately 28.1 percent according to the measurements made by Nielsen.
Jumbo stands out for having the largest variety of imported products within the supermarket chains. The development of private labels as well as imported brands gives Jumbo a great differentiation in the supermarket industry.
Jumbo has more than 3,000 products from "free of" (lactose, gluten, added sugar, and common allergens), organic food products and vegan products.

Jumbo also has multiple digital channels: phone applications (Apps), websites, and relies on social media marketing campaigns to meet modern customer demand. Jumbo has strengthened its online sales services, increasing the territorial coverage of purchases with one of the fastest services in the country: "Jumbo in 90 minutes."

SMU S.A.	SMU
Ownership	SMU S.A. (Chile)
Stores Names	Unimarc (www.unimarc.cl)
Number of Stores	289
Location	In the main cities throughout the country
Sales Surface	402,419 square meters
Private Labels	Merkat and Tento
Supermarket business in other countries	Peru (Mayorsa and Maxiahorro)
Distribution Centers	8 throughout Chile
Average SKUs (stock-keeping unit) per store	11,000

SMU, through its *Unimarc* brand, is the third player in terms of revenues with a market share of approximately 21.3 percent according to their annual report 2017.

TOTTUS S.A.	TOTTUS
Ownership	Falabella S.A.I.C. (Chile)
Stores Names	Tottus (www.tottus.cl)
Number of Stores	64
Location	In the main cities throughout the country
Sales Surface	212,115 square meters
Private Labels	Tottus and Precio Uno
Supermarket business in other countries	Chile and Peru

Tottus is the fourth largest chain in terms of revenue with a market share of approximately 4 percent according to INE. *Tottus* operates 64 hypermarkets and supermarkets.

Wholesale Discount Stores (Discounters) and Warehouse Clubs

Table 5. Main Wholesale Discount Stores

Wholesale Discount Outlet	Ownership	Number of Stores
Super Bodega aCuenta (www.superbodegaacuenta.cl)	Walmart	106
Central Mayorista (www.centralmayorista.cl)	Walmart	4
Mayorista 10 (www.mayorista10.cl)	SMU	70
Alvi (www.alvi.cl)	SMU	30
Fruna (www.fruna.cl)	Alimentos Fruna Ltda.	46
La Caserita (www.lacaserita.cl)	Distribuidora Mayorista La Caserita	14

Wholesale discount stores are fewer in number compared to the other types of stores, and serve a specific customer composed mainly of independent stores. This segment includes stores that supply restaurants, final consumers and mom-and-pop businesses near neighborhoods and urban areas. They provide most common store products with wholesale prices. The average of SKUs per store are 4,700 to 5,300.
There are around 82 outlets owned mainly by the big retailer chains like Walmart and SMU. *Mayorista 10* and *Alvi* from SMU, and *SuperBodega aCuenta* and *Central Mayorista* from Walmart offer attractive prices but with different approaches: *Mayorista 10* and *SuperBodega aCuenta* more oriented to final consumers, *Central Mayorista*, and *Alvi* to merchants.

Warehouse clubs do not have presence in Chile and they are not expected to enter the country in the near future.

Convenience Stores and Gas Marts

Convenience stores in Chile record 3 percent current value growth in 2017, reaching $152.3 million according to Euromonitor International.

The business of convenience stores has become the new battlefield between the large supermarket chains in the country. Somehow, the two major supermarket chains have moved in this direction.

There are three big convenience store chains: OK Market (Chile), Oxxo (Mexico) former Big John and *Castaño* (Chile). These types of convenience stores are driven by location and defined as "on the go" stores. They cater to the upper-middle class by offering good service, convenient locations and a variety of foods and snacks. The assortment of products is approximately 1,100 SKUs on average, and includes a wide variety of prepared dishes, chocolates, beverages, bakery products and tobacco.

The Mexican company FEMSA acquired Big John in June 2016. FEMSA is remodeling Big John stores into Oxxo, the giant convenience store chain with more than 14,000 outlets in Latin America.

The top gas marts operating in Chile are: "*Espacio 1*", operated by Petrobras (Brazil); "*Pronto*" and "*Punto*" operated by Copec (Chile); "*Upa*!" and "*Select*" operated by Shell. Gas marts total 613 outlets throughout the entire country and are very popular for travelers moving through the countryside and during the holiday season. In the city, they serve as a quick stop for a beverage or snack.

Gas stations specialize in having beverages (juice and sodas), snacks (sweet and salty), ready-made sandwiches, energy drinks, crackers, ice-cream cookies and some imported convenience item, including snack food, beverages and confectionary. Bigger gas marts offer coffee and restaurant service. The restaurants are usually the fast food type. Some may incorporate a drugstore (of another brand).

Table 6. Key business model for each of the convenience store and gas marts

Type of Store	Ownership	Name of Store	**Number of Stores**	**Business Model**	**Locations**
Convenience Stores	SMU S.A. (Chile)	*OK Market*	113	Target customers are office workers. Location, product assortment and promotions are focused on getting worker's attention by providing a food court. Breakfast and lunch are the specialty: ready meals, sandwiches, pizza, salads and drinks.	Valparaíso, Metropolitan Region, Biobío y Los Ríos
	FEMSA (Mexico)	Oxxo (company is in the process of transforming Big John stores)	50	Target customers are office workers. Location, product assortment and promotions are focused on getting workers attention by providing a food court. Candy, sodas, newspapers and magazines are key products.	Metropolitan Region
	Servicios y Comercial Rauco Ltda.	*Castaño*	75	Target customers are office workers. Location, product assortment and promotions are focused on getting workers attention by providing a food court. Shops' key products are pastries and bakery products. Also, breakfast and lunch: ready meals, sandwiches, pizza, salads and beverages.	Metropolitan Region and Valparaíso
Gas Marts	Petrobras (Brazil)	Spacio 1	115	Target customers are snack buyers, workers and families	All mayor cities and freeways

		Espacio 1		whose homes are near the service station.	
	Copec (Chile)	*Punto*	260	Target customers are snack buyers, workers and families whose homes are near the service station.	All mayor cities and freeways
	Copec (Chile)	*Pronto*	90	Target customers are snack buyers, workers and families on road trips. Key factor is location, has a national coverage and is located in the main highways. Offers breakfast, lunch, and snacks.	All mayor cities and freeways
	Shell (Anglo-Dutch)	*Upa!* *Upita!*	147	Target consumers are snack buyers, workers, and families on road trips. Key factor is location, supplying national coverage on main highways. Offers breakfast, lunch and snacks.	All mayor cities and freeways
	Shell (Anglo-Dutch)	Select Shell is converting their Select convenience stores to *Upita!* brand	1	Target consumers are snack buyers, workers, and families on road trips. Key factor is location, supplying national coverage on main highways. Offers breakfast, lunch and snacks.	All mayor cities and freeways
Source: Industry Websites.					

E-Grocery (On-line grocery sales)

In the e-grocery format, SMU with its brand, *Telemercados*, competes mainly with www.jumbo.cl (from Cencosud) and www.lider.cl (from Walmart). Another related actor is Cornershop, which offers the e-grocery service, but does not have its own stores, but purchases in the physical stores of third parties.

Traditional grocery retailers and specialized stores

Traditional grocery retailers and specialized stores are the most common store format in Chile totaling 125,186 stores. Traditional grocery retailers record 4 percent current value growth in 2017, reaching $12.2 billion. Besides mom-and-pop stores, there are specialized food stores that offer vegetables, fruits, seafood, meats, liquor, bakery and pastries.

Mom-and-pop stores – "ALMACENES DE BARRIO"

Mom-and-pop stores carry a reduced variety of perishables and non-perishables, drinks, fruits and vegetables, canned goods and some snacks. They cater to the neighborhoods where the larger supermarkets are not present. Their customers are unable to make large purchases at hypermarkets even though the prices are higher than those of the supermarkets. Spot buyers who need specific items or are unable to store large quantities at home also frequent them.

Specialized stores are:
Liquor stores – "*BOTILLERIA*"
Vegetables and fruits - "*VERDULERIAS*"
Meat shops – "*CARNICERIA*"
Pet Food – "*TIENDA DE MASCOTAS*"
Bakery and Pastry shops – "*PANADERIA y PASTELERIA*"
Seafood - "*PESCADERIA*"
Open markets – "*FERIAS LIBRES*"

Section III. Competition

There are four countries that are dominant suppliers of consumer-oriented agricultural products for Chile's retail industry: The United States, Brazil, Argentina, and Paraguay.

Chile Import Statistics Commodity: Consumer-Oriented Agricultural Total, (2017) Calendar Year: 2015 - 2017							
Partner Country	United States Dollars			% Share			% Change
	2015	2016	2017	2015	2016	2017	2017/2016
World	$2,807,965,881	$2,995,128,952	$3,437,210,546	100.00	100.00	100.00	14.76
United States	$471,213,376	$497,390,293	$633,994,749	16.78	16.61	18.45	27.46
Brazil	$483,048,516	$570,124,576	$600,258,058	17.20	19.04	17.46	5.29
Argentina	$448,576,454	$444,685,968	$451,011,614	15.98	14.85	13.12	1.42
Paraguay	$327,179,232	$351,795,416	$446,634,194	11.65	11.75	12.99	26.96
Ecuador	$117,632,130	$116,225,040	$125,695,257	4.19	3.88	3.66	8.15
Mexico	$111,238,976	$103,889,064	$106,662,985	3.96	3.47	3.10	2.67
Peru	$107,705,444	$112,236,208	$106,197,786	3.84	3.75	3.09	- 5.38
Netherlands	$57,143,197	$65,499,894	$97,898,784	2.04	2.19	2.85	49.46
Spain	$64,341,761	$72,773,113	$93,705,157	2.29	2.43	2.73	28.76
Germany	$48,668,054	$62,172,758	$87,578,692	1.73	2.08	2.55	40.86

The U.S. is the top supplier of consumer-oriented products with a market share of 18.45 percent. Top products exported to Chile are beer, poultry, pork, beef, dairy products, condiments and sauces.

Brazil is the second largest exporter of consumer-oriented products with a market share of 17.46 percent. Beef, pork and poultry are their main products exported to Chile. Poultry exports grew 33.7 percent from 2016 to 2017. Brazil also exports non-perishable items, such as candy chocolates, pastas, coffee and canned goods.

Argentina is the third largest exporter of consumer-oriented products with a market share of 13.12 percent. Argentina's main exports to Chile are beef, dog & cat food, dairy products and sweet cookies.

Paraguay is the fourth largest consumer-oriented products exporter to Chile, with 12.99 percent market share. Paraguay's strength is its production of commodities such as beef, peanuts and orange juice, which have very competitive prices in relation to other suppliers.

Modern grocery retailers and department stores aim to invest in technology due to the announced entry of Amazon in Chile by the end of the year. Amazon has announced its intention to offer its Amazon Prime Now service, which will allow products ranging from food to electronics to reach customers within several hours after making a purchase. This sets high competition among local retailers, which are now changing their aim to adapt their services towards the omni-channel for possible competition. Players have quickly started to invest in logistics and storage, enhance customer-shopping experience, and offer sales to upgrade their services. Cencosud has already started to adopt the 90-minute delivery model, as immediate delivery will be a key factor in the near future.

Competition in the food retail industry is mainly based on store locations, prices, assortment, quality, customer and process efficiency.

Section IV. Best Product Prospects Categories

The best product prospects can be divided into 3 categories listed below:

Products Present in the Market, which have Good Sales Potential

1. **Beer/craft beer and spirits:** Chile is the largest consumer of alcohol per capita in Latin America, reaching 61.3 liters per capita.
2. **Beef:** tip beef cut, back ribs, short ribs beef cut, outside round/top, round/top of bottom, round beef cuts. Retail stores offer a variety of cuts suitable for the BBQ/grill or "asado", which is a tradition amongst Chilean consumers. These beef cuts are characterized for having a high-fat content, which gives the beef a better flavor. According to industry experts, these cuts can be packaged at a low cost for U.S. producers, but are sold at a premium price in Chile given their U.S. origin.
3. **Poultry:** Chile is the largest market for U.S. poultry in South America.
4. **Pork (chilled/fresh)**
5. **Dairy:** the United States is the main supplier of dairy to Chile, with a market share of 22 percent of all dairy imported. The main dairy product the U.S. exports to Chile is cheese, which reached $37 million in 2017 and is mostly made up of cream cheese, mozzarella, and cheddar. According to FAS/Santiago sources, U.S. dairy products exports are attractive due to their quality and competitiveness in relation to other suppliers.
6. **Sauces, mixes condiments and seasonings:** especially those in retail big format.
7. **Fruits juices:** there is increasing opportunity for all natural, no-sugar added orange, grapefruit, grape juices in particular.
8. **Frozen meals: s**upermarket have increased their shelves and isles with frozen food products and meals.
9. **Snack foods**
10. **Healthy food products**: there is a growing niche for this product segment. It is expected that the increasing number of millennials, combined with the growing number of dual working families with higher income, will help boost sales of health and wellness food and beverages.

Demand for healthier products is growing with particular regard to value-added products. Increased awareness of the health aspects of food has made consumers more selective about their food choices. Millennials are a key part of this driver as they have a stronger awareness of health issues and are more likely to act upon this in their food choices, especially as they start to enter the labor market.

Products Not Present in Significant Quantities but which have Good Sales Potential

(products consumed in Chile in small quantities that have none or few U.S. suppliers)

1. **Specialty desserts**
2. **Energy drinks**
3. **Premium ice creams**
4. **Value-added supplement milk**
5. **Premium cheeses:** cheddar and mozzarella cheese in sliced format, blue cheese, Parmigiano and provolone cheeses.

Product Not Present Because They Face Significant Barriers

Products do not face significant trade barriers to enter the Chilean market. On the contrary, the high number of Free Trade Agreements (26) make it one of the most open economies in which products from all over everywhere in the world are offered to consumers. Import tariffs are not considered an import barrier.

Please find attached Tables of Top Consumer-Oriented Products Imported from the World and from the United States.

Section IV. Key Contacts and Further Information

Chilean Supermarket Association (ASACH) Address: Av. Vitacura 2771, Las Condes, Santiago Tel.: (56 2) 2236-5150 Web Page: www.supermercadosdechile.cl E-mail: lmunoz@supermercadosdechile.cl	**SEREMI de Salud (Chile's Food Sanitation Regulations)** Address: Pedro Miguel de Olivares 129, Santiago Tel.: (56 2) 2576-4989 Web Page: www.asrm.cl
National Chamber of Commerce (CNC) Address: Merced 230, Santiago Tel.: (56 2) 2365-4000 Email: cnc@cnc.cl Webpage: www.cnc.cl	**Instituto Nacional de Estadísticas (National Institute of Statistics)** Address: Av. Presidente Bulnes 418, Santiago Tel.: (56 2) 2892-4000 Email: ine@ine.cl Webpage: www.ine.cl